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| **EP2250**  **Unit 2 - Secondary Research Analysis** |
| **Unit Introduction:**  Where can you find information?  That is the first and fundamental question that is asked by any budding entrepreneur. Fortunately there are many places to collect information; the problem is that there is so much that is hard to narrow down your search.  When collecting information it is always important to balance the value of the information that we collect with the time it takes to collect it. We can usually get relatively high value information from existing resources – this is known as Secondary Marketing Research. By looking in the right places and using printed and web based sources we can get good data in relatively short order at minimal cost. In this unit we will help you determine how to narrow down the search by focusing on the major information points that need to investigated prior to moving your business idea forward.  This unit will provide you with a series of tools that can be used to develop a broad and basic overview of the competitive environment. It includes tools to analyze current building uses, business mix, trade area size, economic and consumer data, consumer attitudes and business operator needs. It provides the necessary foundation to provide more in-depth analysis of different business and real estate sectors.  While there are many valuable resources in print, excellent data sources are now also available over the Internet and on-line from various data sources. These sources often provide data instantly and allow you to customize it for given geographic area or demographic type. |
| **Self-Assessment Exercise**  (MC QUIZ)  Secondary [data](http://en.wikipedia.org/wiki/Data) is data collected by someone other than the user. ***True*** */ False*  Secondary data analysis saves time that would otherwise be spent collecting data  ***True****/False*  Census, housing, and income data are examples of: ***Quantitative Data*** *or Qualitative Data*  A trade area is simply the geographic area that generates the majority of the customers for a community, business district or downtown ***True*** */ False* |
| **Unit Objectives – Skill Concepts**   1. Define geographic area of market 2. Identify economic indicators 3. Analyze market area’s economy 4. Evaluate economy within market |
| **Unit Printed Resource**  Chapter 2 - Skinner, J. (2010). *Business plan, business reality: Starting and managing your own business in Canada* (3rd ed.). Don Mills: [Pearson Education Canada](http://isbndb.com/d/publisher/pearson_education_canada.html). ISBN 978-0-13-509333-7  Chapter 3 and Stage 7 Balderson, Wesley. [*Entrepreneurship and Small Business Management* 7th Canadian Edition](http://www.entrepreneurship.org/en/Resource-Center/Types/Audio.aspx?start=10&num=10). (7th ed) McGraw Hill Ryerson, **ISBN:** 0070963304 |
| **Unit Web Resources**  Statistics Canada: [www.statcan.gc.ca](http://www.statcan.gc.ca)  Newfoundland Statistics Agency Community Accounts [www.communityaccounts.ca](http://www.communityaccounts.ca)  Analyzing Your Trade Area - <http://www.uwex.edu/ces/cced/downtowns/dma/4.cfm>  Social Media Market information : [www.facebook.com/ad](http://www.facebook.com/ad) & [www.google.com/adwords](http://www.google.com/adwords)  The Canada Business Database <http://www.canadabusiness.ca/> |
| **Unit Video Resource**  The COMMUNITY ACCOUNTS Channel – Newfoundland and Labrador Statistics Agency <http://www.youtube.com/user/CommunityAccounts>  Statistics Canada Learning resources - <http://www.youtube.com/watch?v=y0x4sD4joIs> |
| **Defining the Geographic Area of a Market – the Trade Area**  Locating your business correctly is critical to its success. A trade area is the geographic area that generates the majority of the customers for a business.  Knowing the boundaries of the trade area define the number of potential customers your business may have.  In learning about your trade area, it will also tell you about the demographic and lifestyles of your potential customers.  This information provides insight into the people in the trade area and eventually will allow consumer demand for products and services to be calculated.  Therefore, defining the trade area is an important step in market analysis.  A trade area often extends beyond boundaries of a community.  Defining this extent is important, but it is also necessary to recognize how trade areas can vary.  Often, the variability can be attributed to either different types of products and businesses, or different market segments of customers.  **Trade Areas Differ for Different Products and Services**  Different businesses offering different products and services will have different trade areas. That is, people will travel from greater distances to purchase certain goods and services than others.  While each individual store may have its own unique trade area, these areas can often be generalized into two different types: convenience shopping trade areas and comparison shopping trade areas.  Local convenience trade areas are based on the ease of access to these types of products. That is, people will obtain these products (gasoline, groceries, etc.) based on travel distances or travel time.  Comparison shopping trade areas on the other hand are based on price, selection, quality and style.  People are more likely to compare these types of goods (appliances, furniture, etc.) as well as travel longer distances for their purchase.  Subsequently, the trade area will shrink or grow depending on the types of products sold.  **Defining Your Trade Area**  As with any business, you will need to be where your customers are, and you will also need to determine where your customers live to ensure that if you have a physical presence, it is well-placed. Determining where your customers are serves another important role as well - it is also a good way to target potential customers.  To locate your business' customer geographic market area, consider the following sources of relatively easily available data:\*   * **Determine where your existing customers are located**; this is also the most likely place to find the biggest concentration of potential customers. * **Track your customer inquiries. Think of people who contact you about the products and services you offer** as potential customers waiting to happen. The location of these inquiries will help you more clearly define your target geographic area(s). * **Find out where people or companies that are most like your current customers are located -** Identify geographic areas with concentrations of people who have the attributes of your current customers but who don’t necessarily buy from you. * **Contact advertising companies/company representatives at websites and publications that serve your business sectors.** Media and Social Media outlets conduct and purchase research, and often they share information as a way to convince you of their ability to carry your marketing message to the right people. * **Contact your Chamber of Commerce, Board of Trade, Regional development Board or industry association.** Inquire about industry market analyses that detail geographic areas with concentrated interest in your offerings. * **Visit your library of College. Usually libraries and colleges have the expertise to find the right information that you need at** the Canada Business Database * **Visit online databases such as:**   + The Canada Business Database <http://www.canadabusiness.ca/>   + Statistics Canada: [www.statcan.gc.ca](http://www.statcan.gc.ca)   + Newfoundland Statistics Agency Community Accounts [www.communityaccounts.ca](http://www.communityaccounts.ca)   **\*if you do not have an existing customer base, look at your competitors’ customers.** |
| **Economic indicators**  **An Overview**  In order to get a better understanding of the trade area, it is important to recognize existing trends and conditions in the local and regional economy.  This section provides methods and data sources for examining a variety of economic information that describes, income and employment trends, sales trends, and other important statistics.  When analyzing local economic data is important to keep some key points in mind.  First, data analysis is not a means to an end, but rather is intended to stimulate discussion, to reaffirm current thinking about the local economy or to challenge local perceptions.  The data are used to identify strengths in the local economy that can be built upon or weaknesses that need to be addressed.  The data analysis is also intended to identify potential threats to the economy as well as opportunities.  If for example, the data analysis reveals that the community has a strong presence in fishing, but if the fishing industry is in stagnation and even decline, one must consider that to be as much of a threat as it is an opportunity.  Data analysis cannot answer specific questions, but rather it helps refine and focus our analysis.  Data analysis then, simply helps us better understand what is happening with our local, regional and national economies.  Second, when analyzing the data, it is important to keep in mind that one is not necessarily looking for a single answer but is rather looking for patterns in the data.  There is a "story to be told" about the local economy and the data helps uncover and tell that story.  To accomplish this one must make comparisons between and within other local, regional and national economies.  One must also look for trends over time.  If a locally important industry is stagnating or declining, is this a local phenomenon or is it a reflection of larger regional and national trends.  One is also looking for surprises or to have their perspectives challenged by the data.  Local knowledge of the economy is important in analyzing the data and is vital to reinforcing and/or challenging prior beliefs.  Finally, in analyzing the local economy it must be kept in mind that you are attempting to gain insights into local strengths, weakness and trends not specific and precise answers. Income and Employment Trends in the Trade AreaPersonal Income Trends Personal income trends provide an important measure of economic activity for a local area over a period of time. Personal income consists of the income that is received by persons from participation in production, from government and business transfer payments, and from government interest.  When compared to provincial or national trends, it provides an indication of how well the local area's economy is performing.  The Newfoundland and Labrador Statistics Agency and Statistics Canada prepare regional economic accounts at the provincial and federal levels respectively. These accounts provide estimates of provincial and local area personal income.  **Newfoundland and Labrador Statistics Agency (** [**www.communityaccounts.ca**](http://www.communityaccounts.ca) **)**  Community Accounts prepares detailed, broadly inclusive economic and social time series data for local economic health of towns and regions in Newfoundland and Labrador.  The [Community Accounts Tutorial](http://www.communityaccounts.ca/Tutorials/)s built into the website will show you the extensive features available to you for data retrieval and analysis.  Specific economic data captured in the database includes: Income levels, Sources of Income, and Distribution of Income. Social data includes demographic and health related databases.    Statistics Canada ([www.statscan.gc.ca](http://www.statscan.gc.ca) )  Statistics Canada is Canada’s central statistical office, and is tasked with gathering data that help Canadians better understand their country—its population, resources, economy, society and culture. Earnings Mix While personal income trends relate a community's relative economic health as a whole, the earnings in various sectors provide a snapshot of the industry mix in an area.  Earnings include wage and salary disbursements, other labor income and proprietor's income.  These numbers can be related as individual numbers, or as a percentage to provide an understanding of the industry distributions.  Furthermore, comparing the numbers for a local area to those of a larger area, like the province, point to differences in the local economy that may be useful in subsequent market analysis steps Labor Force and Unemployment Labor force and unemployment data provide important information on the size and stability of a local economy.  Statistics Canada ([www.statscan.gc.ca](http://www.statscan.gc.ca)) in cooperation with Human Resources and Skills Development Canada ([www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)) makes this data available on a timely basis.   Local Firm Employment An analysis of local employers provides insight into the types of larger businesses in the area that may provide drawing power.  Furthermore, identifying these employers, their number of employees, and their locations may help in later analysis, as they aid in determining daytime employee populations for the trade area.   Employer statistics are often available through the local chamber of commerce. Other Local Economic TrendsTraffic Patterns Street and highway traffic volume provides an important indicator of travel to a downtown area.  Retailers typically seek locations on major arteries and often require minimum average daily traffic counts to survive.  More specifically, businesses such as gasoline stations, convenience stores and fast food restaurants are located based on traffic volume and the access to and visibility from high traffic streets and highways.  Subsequently, examining the counts aid in determining the feasibility of these types of businesses. Local Housing Construction Trends in real estate development including housing construction provide another indicator of the economic health of your community.  This data is typically available through Town/City sources.  In addition, the Statistics Canada reports construction statistics by place and by province on new privately owned residential housing units authorized by building permits. (<http://www40.statcan.ca/l01/cst01/manuf05-eng.htm> )  **Competitive Analysis**  It is important to know who your competitors are as well as who your competitors may be.  First, determine who your competitors are. If you're business will operate locally, you can easily find your competitors. You want to make sure that you identify all your possible competitors at this stage – both direct, ones selling the same things as you and indirect, ones selling substitutable products to those you are offering.  Second, you will need to gather as much information on your competition as possible so that you can do an effective competitive analysis.  For each competitor you need to try to determine know:   * What markets or market segments your competitors serve; * What benefits your competition offers; * Why customers buy from them; * And as much as possible about their products and/or services, pricing, and promotion.   This may not be easy seeing that most competitors will be guarded with their information. It is important to collect as much as you can – below are some ideas on how to collect that information.  You can learn a lot about your competitor's products and services, pricing, and even promotion strategies by visiting their business, and you may even be able to deduce quite a bit about the benefits your competitor offers. Go there, once or several times, and look around. Watch how customers are treated. Check out the prices.  You can also learn a fair bit about your competitors from talking to their customers and/or clients - if you know who they are. With a bricks and mortar local competitor, you might be able to find out about the reasons customers buy from them by canvassing friends and acquaintances locally.  As well, check out the competitors online presence – Search them on the web, look for media reports, press releases, look at their website, their Facebook site, and any other form of media they may use.  Other sources of information about competitors include a company's vendors or suppliers, and a company's employees. They may or may not be willing to talk to you, but it's worth seeking them out and asking.  Go to trade shows that your competitors may be attending. Businesses are there to disseminate information about and sell their products or services; attending and visiting their booths may be a excellent way to find out about your competitors.  **Look for a Niche**  Having analyzed the market and having looked at the competition you have to ask yourself: “How can I stand out?”. Key to competing successfully in any marketplace is to find and develop a unique aspect of your product or service that will be valued by the potential customer. We call this a Market Niche – and it involves capturing a specific target market whose needs are not being met.  Ask yourself: “Is there a particular segment of the market that your competition has overlooked?” For example, if you hope to start a counter top business, and you find that none of your competitors sell and install granite countertops – which are in high demand, you should be able to specialize in selling that type of countertop.  The goal of your competitive analysis is to identify and expand upon your “competitive advantage” - the benefits that your business will possess and can offer the customer or client that your competition can't or won't easily supply. |
| **Summary**  After reading this unit and the text and after visiting the referenced online material you should have a much better appreciation for the importance of conducting good secondary research in preparing your business plan. Much of this information is readily available either by visiting the sources or by looking online. Data is only as good as the analysis, so it is also important to understand how to manipulate and interpret the data in order to get information that can be useed to make good decisions. |
| **Competitive Analysis Exercise**  Assume that you are the startup owner for a new airline in Canada. You have a clearly defined and small group of competitors – Air Canada [www.aircanada.com](http://www.aircanada.com); Westjet [www.westjet.com](http://www.westjet.com) and Porter [www.flyporter.com](http://www.flyporter.com) . Troll the internet for information on each of these companies and then complete the following competitive profile for each of the three airlines. Based on your analysis, how would you develop a unique niche to help you succeed in this business?    Name of Competitor:\_\_\_\_\_\_\_\_\_\_\_\_\_\_   1. Who are their nearest competitors? 2. What is their market Share? 3. Is their sales growing? 4. What are their Major Strengths? 5. What are their Major Weaknesses? 6. How are this company’s products or services unique? 7. What products do they offer? 8. What are the key product characteristics they emphasize? 9. Do they do promotion? (if so get examples) 10. Is their product/name well known 11. Where is the product sold? 12. How far will customers come to buy their product? 13. Do they have a high traffic location? 14. Who is their “typical’ buyer (their segment) 15. Do they have high/low prices? 16. Do they offer hi/lower quality 17. Is there a key factor accounting for their success? |
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